Seattle City Light Strategic Plan

Interim Outreach Meeting Summary

Date: May 26, 2011

Location: Seattle City Hall, Bertha Knight Landes Room

Audience: Primarily, representatives from the environmental community

Number of Attendees (excluding City Light staff, City staff, and Review Panel members): 22

Summary of Question & Answer Session:

Q: Are the revenues from surplus power sales included in the baseline rate forecast?

A: Yes.

Q: Do you have quantitative data on rate forecasts of other neighboring utilities? It seems this would be helpful context for this discussion. And, if their rates are increasing perhaps City Light can expect an increase in wholesale revenues.

A: Other utilities do not generally make this available. There is some very short-term data available (typically where rate changes for the next year or two are proposed). There is actually not a close correlation between retail rates changes and prices on the wholesale power market. Wholesale prices are only for the energy, while retail rates include transmission, distribution and other costs.

Q: Why did the financial downturn increase rates? It seems it should have had the opposite effect.

A: The financial downturn reduced the demand for power so City Light's retail revenue dropped somewhat (3-4%); the reduction in revenue had to be addressed through increased rates. In addition, wholesale energy prices were low and, at the same time, City Light experienced a low snow pack which reduced the amount of available surplus power sales – all at the same time of the economic downturn. This resulted in an increased need for borrowing to fund the capital program. In most years, the surplus power sales help fund a significant portion of the capital program.

Q: How do you decide when to invest in conservation versus other investing in acquiring power?

A: We do look at the comparative costs and benefits of various power alternatives and purchase the most cost effective resources possible. Often, conservation is our most cost effective power resource—that is why we make a sizable investment in conservation each year.

Q: If wholesale energy prices are relatively flat, why are our power costs increasing?

A: For a couple reasons: we have less surplus power to sell each year in the future as demand increases. Also, we buy nearly half the power we need, mostly under long-term contracts such as our contract with the Bonneville Power Administration (BPA); those contracts have ongoing increases in the

price of power over time. In addition, we are required to buy power in excess of our needs pursuant to I-937: renewable energy tends to be much more expensive than the other power on the market.

Q: Looking at Tacoma Public Utilities and Snohomish Public Utility District, how much have their rates increased in recent years, in comparison to City Light's rate experience?

A: We have typically provided "snapshots" of how our rates compare at a given time, but we should be able to construct trend lines to provide these comparisons also. We know they face many of the same cost pressures as we do, though because of various financial structures and reserves, the timing of when those costs get passed through to retail rates can differ.

Reporting out from Tables: (3 Tables reported out; each table's responses are grouped below)

Table 1:

- We focused on the Environmental Stewardship objective. We would suggest City Light add some new outcomes and approaches relative to this objective, specifically:
    - Use rates to improve energy efficiency, use of conservation.
    - Affordable overall bills may be a more appropriate goal than simply lower rates. If there are lots of investments in conservation, then, power use – and thus power bills — will go down.
- Make conservation a key objective
- Remaining a carbon neutral utility should be a major objective, not just a sub-goal. Within that objective we think the utility should address fuel choice and promote use of electric cars and local generation activity.
- Identify local power production (i.e. distributive power) as an objective.
- City Light should increase its investment in an energy efficient infrastructure. That includes power production and distribution. In the end, that will achieve reduced rates.

Table 2:

- The objectives presented should be measurable and quantifiable so we can tell if City Light is successful in carrying them out.
- Some of the objectives combine multiple and potentially conflicting ideas and are therefore hard to rate.
- Energy efficiency/conservation should be a separate objective. It appears in a number of places.
- We think several things are missing that are important:
    - Distributed generation
    - Fish protection and recovery in relation to operation of the hydropower assets
    - Climate change
    - Resource planning
- The language is confusing when mixing rate stability, rate predictability and fiscal strength - different concepts than are presented in the document

- How will City Light address urban growth and promote urban villages around power availability and its substations?

Table 3:

- How is hydropower impacted by climate change?
- Be more aggressive in funding conservation rebates and incentives.
- City Light should help create a market for renewable energy
- District energy – or locally generated and distributed energy opportunities – should be promoted by City Light
- Vegetation management should take into account tree health and the importance of maintaining an urban tree canopy